

HOUSE BILL 1076

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CF SB 898

By: **Delegate Feldman**

Introduced and read first time: February 17, 2010

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Installment Loans Secured by Motor Vehicle Lien**
3 **– Balloon Payments**

4 FOR the purpose of authorizing a credit grantor that makes a certain installment loan
5 secured by a lien on a motor vehicle to a consumer borrower to require the
6 consumer borrower to pay a balloon payment at maturity of the installment
7 loan; and generally relating to installment loans secured by a lien on a motor
8 vehicle.

9 BY repealing and reenacting, with amendments,
10 Article – Commercial Law
11 Section 12–1003
12 Annotated Code of Maryland
13 (2005 Replacement Volume and 2009 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – Commercial Law**

17 12–1003.

18 (a) A credit grantor may charge and collect interest on a loan at any daily,
19 weekly, monthly, annual, or other periodic percentage rate as the agreement, the note,
20 or other evidence of the loan provides if the effective rate of simple interest is not in
21 excess of 24 percent per year. The rate of interest chargeable on a loan must be
22 expressed in the agreement as a simple interest rate or rates.

23 (b) (1) Interest may be calculated by way of simple interest or by any
24 other method as the agreement, note, or other evidence of the loan provides. If the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 interest is precomputed, it may be calculated on the assumption that all scheduled
2 payments will be made when due.

3 (2) For purposes of this section, a year may be any period of from 360
4 to 366 days, including or disregarding the effect of leap year, as the credit grantor may
5 determine.

6 (c) (1) If an installment loan under this subtitle made to a consumer
7 borrower is secured by collateral other than a lien on residential real property **OR A**
8 **MOTOR VEHICLE**, the credit grantor may not require a schedule of repayment under
9 which a consumer borrower may be required to pay a balloon payment at maturity.

10 (2) If an installment loan under this subtitle made to a consumer
11 borrower is secured by a secondary lien on residential real property, the credit grantor
12 may require a schedule of repayment providing for a balloon payment at maturity. On
13 request, the consumer borrower is permitted to postpone payment of the balloon
14 payment once for a period not to exceed 6 months. The borrower must continue to
15 make installment payments in the amount required prior to maturity during the
16 extension period. The credit grantor may not impose any charges or fees as a result of
17 allowing an extension period.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2010.